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Economic Factors in the Maintenance of Peace

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THE immediate object of the war has been fully attained. The danger to liberty and democracy from the attack of the Central Powers has been effectually overcome. It is now our task to establish conditions which, so far as may be humanly possible, will remove the danger of future conflicts between the nations. Territorial changes on the basis of independent nationalities will remove grievances which might endanger the future peace of the world. The establishment of democratic governments throughout Europe and the discontinuance of secret diplomacy will do much to eliminate causes of trouble which spring from personal ambition, and flourish in an atmosphere of intrigue.

These political changes are necessary if a peaceful world is to be established, but very much more is required to accomplish the end in view. Economic causes of international strife would remain, and these causes may well prove an even more serious menace to the peace of the world than they have been at any previous period in the history of civilized peoples. At least four influences will be present tending to embitter international economic relations. These influences, arranged in the order of increasing importance, are: (1) the intensification of national sentiment which is the invariable consequence of war; (2) the increasing size of the business organizations conducting foreign trade, transportation and finance; (3) the urgent needs of many countries during the years immediately following the war; and (4) and by far the most important, the technical requirements of modern warfare, which involve the use of the products of a great variety of highly developed industries.

ECONOMIC CAUSES OF INTERNATIONAL STRIFE

The intensification of national sentiment resulting from war creates an atmosphere in which extreme measures of a nationalistic character find ready acceptance. This sentiment tends to neutralize the effects of peaceful impulses which experience with

the burden and follies of war naturally tends to strengthen. With the lapse of time, the attitude of extreme nationalism will become tempered and subdued, but in the immediate future it will give a semblance of merit to extreme national aims.

Tendencies of this sort will be strengthened as a result of the increase in the size of the business trading unit. Military exigencies have greatly enlarged the range of governmental economic activities and have also tended, in many branches of industry, to a high degree of concentration in organization and in management. After the return of peace, most of the foreign trade of each country seems likely to be conducted by a very small number of very large business organizations, which will combine transportation and finance with production and marketing. It is even possible that governmental agencies may be employed in some instances, and doubtless there will be an increase in governmental supervision. Foreign trade will, in these circumstances, take on much more of the character of a national activity than when conducted by numerous individuals and companies. Unrestrained and unfair competition, which formerly merely occasioned bitterness between individuals of different nationalities, is likely to occasion friction between countries.

A bitter struggle for foreign business during the next few years is anticipated by many. If such a struggle develops, and if it is reinforced by governmental assistance in the form of shipping subsidies and the control of mineral resources for commercial bargaining purposes, good relations between countries will be subjected to most severe strain, and especially the danger of international discord over economic matters will be particularly great during the years of reconstruction following the war on account of the urgent rehabilitation requirements of many countries. These needs must be satisfied in an equitable fashion if serious discord is to be avoided. The scanty supplies of essential raw materials must be distributed fairly and at reasonable prices. The world's stock of gold, if handled graspingly, will be an inadequate support for the huge credit structure which has been reared upon it during the course of the war. The United States has acquired an inordinately large share of this gold, much of it coming from our associates in the war before we became a belligerent. It should be regarded as a trust fund, to be used in such a fashion as will best

serve to support the credit structure, not only in this country, but throughout the world. To attempt to acquire by its means a dominating position in the money markets of the world is perhaps an attractive policy from a purely national point of view. If we are honestly desirous of maintaining peaceful and friendly relations with other countries, such a policy should not be given a moment's consideration.

DANGERS OF FRICTION OVER SHIPPING AND COMMERCE

Among all of the various matters which may occasion friction during the next few years, those arising out of the shipping situation seem likely to prove the most serious and the most difficult to handle in an equitable fashion. As a direct consequence of the war, a revolutionary change has taken place in the tonnage of ships under the flags of the different maritime nations. Japan and the United States have greatly increased their tonnage. France and Scandinavian countries will have a much smaller number of ships, while the tonnage of Great Britain will also show a marked decline. The present deficiency in shipping may in the course of a few years be followed by an equally marked excess. In either situation, most serious difficulties will be encountered if shipping policies are determined primarily with reference to selfish national aims. In ocean transportation, equality in service and rates accorded the shippers of different countries, similar to that in domestic railroad transportation, is wise economic policy. Foreign commerce, stimulated by special rates, does not rest upon a solid foundation.

The United States, during the years immediately following the war, is threatened with no diminution in the opportunities for expansion of its industry. This is due in part to our late entrance into the war, but even more to the wide range of essential materials which we produce. The needs of our associates in the war, together with those of neutral, and also of enemy countries, will furnish opportunities for aggrandizement on our part, if we should press the advantages of our position to the utmost. To do so, would certainly give rise to deep-seated distrust and hostility and they would be deserved. The fundamental objects of our participation in the war were not national objects. The needs for supplies of our associates upon the return of peace, are of a pressing

nature, analogous to those which gave rise to the common law of obligation imposed upon those engaged in rendering public service, to serve all at reasonable rates. The same policy should mark the period of rehabilitation in the economic arrangements between different countries, and especially, owing to the strength of its position, the policy of the United States. We should make it perfectly clear that government assistance will not be extended to further endeavors to acquire, at the expense of our Allies during the years immediately following the war, a dominating position in lines of business in which we did not hold such a position in the past. In the long run, a policy of this sort will be conducive to the development of the country in the most desirable and profitable direction. Economic activities, stimulated by the temporary predicament of our associates and even of enemy countries, cannot be expected to manifest a capacity for large and continued expansion.

Although there will be no exact return to pre-war conditions, there is little evidence in support of the view that the war will occasion revolutionary changes in the ability of different countries to compete successfully in foreign markets. The effects of the war on foreign trade may be great at first, but in the course of time deep-seated permanent influences will shape the course of our foreign business. Markets acquired during the abnormal years following the war will rest upon a weak foundation unless it is clear that they are markets which would presumably have soon been developed had the world remained at peace.

Up to this point international economic relations have been considered exclusively as purely economic questions. This has been done designedly in order to emphasize the view that when judged as purely business questions, there is no fundamental divergence of economic interest between the nations. To find instances of irreconcilable conflicts of economic interests between nations, it is necessary to go back to the pastoral stage of social development. In that stage of society, the number of people who can live within a given area is strictly limited. This is not the situation of civilized peoples. Thanks to improvements in the arts, especially in transportation, the limits upon the population of any given area are highly elastic. The economic advantages which a country can gain by the adoption of policies unfavorable

to other countries is slight, even when the estimate is based upon faulty economic conceptions, such as those which lead to exaggerated notions of the importance of foreign as contrasted with domestic trade.

THE INFLUENCE OF MILITARY FACTORS

In the modern world, economic causes of international strife have seldom been independent causes. They have been associated with, and in large measure, an inevitable consequence of, the necessity which has obliged all countries to safeguard themselves against the contingency of war. The controversy between Germany and Great Britain regarding Mesopotamia is a familiar example. Great Britain did not oppose German economic activities in that region primarily, if at all, upon economic grounds. Under German control the trade of Great Britain in that part of the world would have been far greater in 1912 than in fact it was. Economic penetration by Germany was opposed, and rightly, because Germany would have gained a valuable strategic position from which to attempt the invasion of Egypt and India in the event of war.

Military considerations are certain to shape economic national policies to a far greater extent in the future than in the past, if nations must continue to guard themselves against war. In order to conduct modern warfare with any hope of success, a country requires abundant resources in raw materials, and must utilize the products of a great variety of highly developed industries. All nations have become fully, and one may even say, nervously, aware of the vital importance of the economic factor in war. Equitable international arrangements regarding shipping, colonies, mineral resources, and other economic matters, can be devised without much difficulty, if they are handled as purely economic business questions. Once military considerations are introduced, endless difficulties are encountered.

Considered purely as an economic question, the interdependence of nations is highly advantageous. Given assurance of permanent peace, the world would then be free to make the most effective use of its resources, labor and business organization. Measures, such as protective tariffs, designed to stimulate the industrial development of the different countries would still be adopted, but the advisability of those measures would be determined solely with
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reference to economic and social considerations. Under the threatening shadow of war, each nation must endeavor to be self-sufficing, with an inevitable loss in productiveness of industry in consequence. The general adoption of preferential colonial tariff policies for example is altogether probable if wars in the future are to be anticipated. Colonial preference is a policy which is bound to excite envy and hostility, since colonies are most unequally divided among the nations. If this were a matter which might be determined solely on grounds of economic advantage, the area subject to preferential arrangements would probably not be enlarged, and it is not unreasonable to anticipate that the "open door" policy would be more generally adopted.

VITAL NEED FOR A LEAGUE OF NATIONS

Adequate preparation for war in the economic sphere breeds occasions for war. A peaceful world will never be secured as a result of agreements regarding a succession of particular economic matters which are occasioning hostility between nations. There must be convincing assurance that further wars are altogether unlikely. This assurance can only be given by the formation of a League of Nations which shall absolutely exclude the resort to war as a means of settlement of international disputes. Whether such a league should provide other means of settlement is a matter of secondary importance. The fundamental object would be gained if nations were left entirely free to resort to any and every other means of settlement, war alone excepted.

Whether there is to be a League of Nations or not, is the basic factor in the determination of all other questions which will come before the Peace Conference. If a league is not established, we must continue to assume that the world is to be organized for war and not for peace. Strategic advantages in the delimitation of territorial boundaries will then be a vital matter, as well as the possession of natural resources such as coal and iron.

Consider, to take a single instance, the situation with reference to coal and iron. After the restoration of Alsace and Lorraine to France, if the world is to be a peaceful place in the future, this change in boundaries will not make necessary a serious change in German industry. Iron will be exported to the coal producing regions of Germany just as it is exported from Sweden and Spain to Great Britain. It would be an economic loss not only to the

owners of the iron mines but also to France to retain all the iron for French use. On economic grounds, it would be no more sensible than an attempt to retain all cotton produced in the United States for our own cotton industry.

On the other hand, if the world is to be an armed camp, it will be wise policy for France to place obstructions in the way of the movement of iron into Germany. This policy Germany would naturally endeavor to counter by obstructing the movement of coal into France. Each country would be concerned to secure a more considerable iron and steel industry than the other, not upon economic grounds but for purely military reasons. Here is a situation which contains the material for endless bargaining and friction.

Most great changes come about as a result of a slow process of growth. Some few changes must apparently be made in their entirety or nearly so at the outset, if they are to be made at all. The League of Nations evidently belongs to this class. In this respect it is analogous to the federal reserve banking system. The reserve banks, operating with and through the other banks, could not have performed their functions if when they were opened they had had relations with only a small fraction of the banks of the country. Relations with all banks were not needed, but with a preponderating number of them. Similarly with a League of Nations to establish peace; it need not include every nation, but it can hardly begin with a scattering few. Unless there is a solid basis for confidence in the League, its power to eliminate war will not be sufficiently certain to render unnecessary the adoption by the several nations of policies designed to safeguard them against the outbreak of war, policies which in turn are the occasion of war.

The promise of the elimination of war by the formation of a League of Peace would be small if the economic interests of nations were fundamentally antagonistic. Happily, conditions of life upon the earth do not compel so dismal a view of the future. On the contrary, the gain to all nations from the elimination of war is large and positive. Relief from the burdensome cost of constant military preparation, and from the huge cost of occasional wars, would be well worth the sacrifice of much in economic advantage and opportunity. No such sacrifice is, however, involved. It is only through the establishment of the world upon a peaceful basis that full and effective use of the natural resources of the world can be made.